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Trace Technologies, LLC, Debtors

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

In re
GABRIEL TECHNOLOGIES CORP. et al.,

Debtors.

Case No. 13-30340 - DM
(Case no. 13-30341)

Chapter 11

(Jointly Administered)

Date: July 11, 2014

Time: 10:00 a.m.

Place: U.S. Bankruptcy Court
235 Pine Street, Courtroom 22
San Francisco, California

Judge: The Honorable Dennis Montali

E.I.N.s 22-3062052; 20-1711149

DEBTORS' CONTINUED STATUS CONFERENCE STATEMENT

GABRIEL TECHNOLOGIES CORPORATION and TRACE TECHNOLOGIES, LLC, as debtors-in-possession herein (the "Debtors"), hereby submit this statement in preparation for the continued status conference scheduled for **July 11, 2014 at 10:00 a.m.** in these chapter 11 cases. The previous status conference was held on April 7, 2014.

The continued status conference was scheduled pursuant to the Court's instructions in its *Memorandum Decision Regarding Section 305 Suspension* entered on the Court's docket on October 8, 2013 (the "Memorandum," docket no. 214), suspending the chapter 11 cases pending the outcome of an appeal heard in the United States Court of Appeals for the Federal Circuit (the "Federal Circuit Court"), regarding prepetition litigation entitled *Gabriel Technologies Corporation, et.al. v. Qualcomm Incorporated, et. al.*, case no. 08CV1992 (the "Qualcomm Litigation"), initiated by the

1 Debtors against Qualcomm Incorporated (“Qualcomm”) and others. On March 18, 2014, the Federal
2 Circuit Court affirmed in all respects the underlying judgment and orders adverse to the Debtors, and
3 therefore, pursuant to the directive of the Memorandum, the Debtors scheduled a status conference,
4 which was conducted on April 7, 2014.

5 At that first status conference, the Debtors, Qualcomm and the Official Committee of
6 Unsecured Creditors appointed herein (the “Committee”) advised the Court that their collective view
7 was that it would be beneficial to all parties to continue the status conference for approximately 90
8 days to determine whether continuation of the chapter 11 process or a conversion to chapter 7 best
9 suited the parties’ interests. Accordingly, the Court continued the status conference to July 11, 2014.

10 In the interim, the Debtors, Qualcomm and the Committee have conferred further among
11 themselves and with other parties in interest, and have determined that further efforts toward a
12 consensual chapter 11 liquidation plan are not likely to be productive, and in particular, Qualcomm
13 has stated that it has tentatively concluded that it prefers conversion to chapter 7. Qualcomm,
14 through its counsel, has further stated that it expects to have a final decision in that regard by the time
15 of the July 11 status conference.

16 The Debtors have consistently advised Qualcomm that if Qualcomm, as the largest undisputed
17 unsecured creditor in the cases, prefers conversion to chapter 7, the Debtors will not resist such
18 conversion. That continues to be the Debtors’ position. Therefore, the Debtors are awaiting
19 Qualcomm’s final decision regarding conversion, and will act accordingly once advised.

20 Because the Debtors expect a final decision by Qualcomm by the time of the continued status
21 conference, the Debtors will take no action until then. If Qualcomm concludes that it prefers
22 conversion to chapter 7, the Debtors will suggest at the continued status conference that the Court
23 enter an order converting the cases to chapter 7 at that time.

24 DATED: June 30, 2014

MEYERS LAW GROUP, P.C.

25
26 By: /s/ Merle C. Meyers
27 Merle C. Meyers, Esq.
28 Attorneys for Debtors